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Message Text

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ACTION MMO-04

INFO OCT-01 AF-10 NEA-10 ISO-00 AID-05 CIAE-00 EB-07
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 AGR-10
NSC-05 SS-15 STR-04 CEA-01 /115 W
----------110927Z 035660 /12
R 110804Z JUN 77
FM AMEMBASSY KHARTOUM
TO SECSTATE WASHDC 4589
INFO USDOC WASHDC
AMEMBASSY CAIRO
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY NAIROBI

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DEPARTMENT ALSO FOR AID

NAIROBI FOR REDSO

E.O. 11652: N/A
TAGS: EAGR, ECON, ECRP, EFIN, EINV, SU
SUBJECT: CERP 200- MINISTER OF FINANCE ANNOUNCES FY 77/78 BUDGETS

REF: 10 FAM 223

BEGIN SUMMARY: SPEAKING TO PEOPLE'S ASSEMBLY JUNE 6,
MIN OF FINANCE SHARIF EL KHATIM OFFICIALLY PRESENTED PROPOSED
CENTRAL AND DEVELOPMENT BUDGETS FOR FY 77/78. MINISTER REVIEWED
FOREIGN EXCHANGE EARNINGS AND EXPENDITURES AND ANNOUNCED PROPOSALS
TO INCREASE COTTON PRODUCTION, EASE FOREIGN EXCHANGE TRANSACTIONS
AND TO PROMOTE INVESTMENT BY PRIVATE SECTOR. HE INDICATED
GOVERNMENT AND DEFENSE EXPENDITURES WOULD INCREASE SUB-
STANTIALLY. END SUMMARY.

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1. MINISTER OF FINANCE EL SHARIF EL KHATIM IN JUNE 6 SPEECH
PRESENTED FY 77/78 BUDGETS TO PEOPLE'S ASSEMBLY. PROPOSED
DEVELOPMENT BUDGET TOTALS LS 307 MILLION, AN INCREASE OF LS 53
MILLION FOR
FY 76/77. (LS 1 EQUALS U.S. DOLLARS 2.50), OF
WHICH FOREIGN EXCHANGE COMPONENT IS LS 135.5 MILLION. ONGOING
PROJECTS IN AGRICULTURE, TRANSPORT AND COMMUNICATIONS ARE MAJOR

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ITEMS, ACCOUNTING FOR OVER 50 PERCENT OF BUDGET. CENTRAL BUDGET PROPOSED FOR FY 77/78 CALLS FOR REVENUES OF LS 552.7 MILLION, UP 23 PERCENT, AND EXPENDITURES OF LS 489.4 MILLION, UP 30 PERCENT. LARGEST EXPENDITURE INCREASES ARE IN GENERAL CENTRAL GOVERNMENT SERVICES AND DEFENSE, BOTH OF WHICH ARE UP NEARLY 50 PERCENT. PROJECTED INCOME ESTIMATES APPEAR REASONABLE.

2. FOREIGN EXCHANGE RESOURCES FOR FY 77/78 ARE PROJECTED TO BE LS 618.8 MILLION. EXPORTS ARE EXPECTED TO EAR LS 270.6 MILLION, UP 30 PERCENT, AND CAPITAL INFLOWS ARE ESTIMATED AT LS 293 MILLION. GOVERNMENT EXPENDITURES WILL AGAIN TAKE LARGEST PORTION OF FOREIGN EXCHANGE, LS 236 MILLION. PRIVATE SECTOR ALLOCATION IS LS 197 MILLION, AN INCREASE OF 56 MILLION OVER LAST YEAR. INDUSTRIAL DEVELOPMENT PROJECTS WILL RECEIVE LS 70 MILLION OF THIS ALLOCATION. ONE NEW BUDGET ITEM WAS INTRODUCED. SUDANGOV IS ALLOCATING LS 25 MILLION FOR JOINT VENTURE INVESTMENTS WITH OTHER ARAB COUNTRIES AND PRIVATE SECTOR. MINISTER INDICATED THAT THIS NEW ITEM IS NECESSARY BECAUSE OF INCREASED GOVERNMENT PARTICIPATION WITH PRIVATE SECTOR AND TO ALLOW SUPERVISION OF THESE COMPANIES AND TO QUOTE COMMIT THEM TO THE BROAD PRIORITIES OF NATION'S ECONOMY. END QUOTE.

3. IN HIS REMARKS, SHARIF INDICATED THAT COMPLETE ASSESSMENT OF ALL PUBLIC CORPORATIONS WILL BE PURRIED OUT. MINISTER SAID THAT MANY OF THESE COMPANIES HAVE CONSISTENTLY OPERATED AT DEFICIT AND THAT CONTROL AND REGULATION OF PUBLIC CORPORATIONS HAS BEEN INADEQUATE. HE CRITICIZED PUBLIC SECTOR CORPORATIONS
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FOR FAILING TO CONTRIBUTE TO DEVELOPMENT OF COUNTRY AND ANNOUNCED THAT COMPANIES FAILING TO MEET THEIR OBJECTIVES WILL BE TRANSFERRED TO PRIVATE SECTOR. SHARIF ALSO TOLD ASSEMBLY THAT REVIEW OF COUNTRY'S BANKING SYSTEM WOULD BE CONDUCTED AND THAT INTEREST RATES OF SEVERAL SPECIALIZED BANKS WILL BE REDUCED.

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DEPARTMENT ALSO FOR AID

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4. IN EFFORT TO IMPROVE COTTON PRODUCTION, WHICH HAS NOW HAD TWO BELOW AVERAGE YEARS, BY RETURNING MORE PROFIT TO FARMERS, FINANCE MINISVAR SAID THAT IRRIGATION COSTS WILL NOW BE DISTRIBUTED AMONG ALL CROPS RATHER THAN BORNE SOLELY BY COTTON. CUSTOMS RATES ARE TO BE REBKCED ON VEHICLES AND CERTAIN CONSUMER GOODS. DUTY-FREE SHOPPING IS TO BE EXPANDED TO ALL CITIZENS WITH FOREIGN EXCHANGE WITHOUT RESTRICTION. TO OVERCOME CONGESTION AT PORT SUDAN, CONCESSIONS WILL BE OFFERED TO MAKE AIR FREIGHT RATES EQUAL TO OVERLAND RATES. IN FINAL NOTE, MINISTER STATED THAT RESTRICTIONS IMPOSED ON FOREIGN EXCHANGE TRANSACTIONS WILL BE REVIEWED AND REVISED DURING COMING YEAR.

5. COMMENT: BUDGET ITSELF CONTAINS NO UNEXPECTED ITEMS AND REFLECTS NEW POLICIES OF NIMEIRI REGIME WHICH HAVE BEEN UNCLASSIFIED

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DEVELOPED OVER LAST YEAR. GIVEN ROLE OF CENTRAL GOVERNMENT AND ITS SECURITY CONCERNS, MAJOR BUDGETARY INCREASES FOR DEFENSE AND GOVERNMENT SERVICES ARE NOT SURPRISING. SEVERAL OF MINISTRY'S NEW POLICIES CAN BE SEEN AS ATTEMPTS TO IMPROVE PRODUCTION AND EASE FOREIGN EXCHANGEAVAILABILITY. REVISION OF IRRIGATION COST SYSTEM HAS BEEN LONG OVERDUE. COTTON PRODUCTION HAS SUFFERED SERIOUSLY OVER LAST TWO YEARS AND WITH NO CARRY-OVER STOCKS FOR COMING YEAR, PRODUCTION MUST BE ABOVE AVERAGE IF SUDAN IS TO MAINTAIN ITS LEVEL OF FOREIGN EXCHANGE EARNINGS NEXT YEAR. THERE HAVE ALREADY BEEN SOME PRELIMINARY MOVES AWAY FROM PUBLIC SECTOR CORPORATIONS AND MINISTER'S ANNOUNCEMENT SHOULD BE FOLLOWED BY DISSOLVING OR

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TRANSFER TO PRIVATE SECTOR OF MANY PUBLIC COMPANIES.
POSSIBILITY OF LIBERALIZED BANKING AND FOREIGN CURRENCY
REGULATIONS WILL BE VIEWED FAVORABLY BY BOTH SUDANESE
PRIVATE BUSINESSMEN AND FOREIGN BUSINESS COMMUNITY. LOCAL
REACTION TO SPEECH HAS BEEN POSITIVE AND MANY ARE
RELIEVED THAT NO NEW TAXES WERE ANNOUNCED. ADDITIONAL
DETAILS WILL FOLLOW BY AIRGRAM WHEN BUDGET BECOMES AVAILABLE.
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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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TAGS: EAGR, ECON, ECRP, EFIN, EINV, SU, (KHATIM AL-SHARIF AL)
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